

# Exhibit F



A member of the P&G Group

PROPOSAL TO APPLE BANK FOR SAVINGS  
FOR BSA/AML MODEL VALIDATION



November 13, 2015

Connie L. Moyer, Esq., CAMS  
First Vice President, BSA Officer  
Apple Bank for Savings  
122 E. 42<sup>nd</sup> Street  
New York, NY 10168

Dear Ms. Moyer,

We are pleased to have this opportunity to provide a proposal to perform a Model Validation against Apple Bank for Savings key BSA/AML Monitoring System – BAM+. The Model Validation will be performed in strict conformance with Office of the Comptroller of the Currency's (OCC) Supervisory Guidance on Model Risk Management (per OCC 2011-12), including Back Testing, which is the industry standard guidance for this kind of engagement.

Our work will include ensuring the Bank has identified applicable transaction types within its BSA/AML Monitoring, validate its decision to include/exclude specific transaction types from its Anti-Money Laundering monitoring process, evaluate the Bank's coverage scenarios to effectively detect suspicious behavior, and assess the utilization of the feature set of its licensed Anti-Money Laundering software. Based upon our discussions, we have considered the Bank's systems, installations, and operating environment. Our proposal reflects the importance and significant commitment our data analysts, and proprietary analytic tools will play on this engagement. We want to assure you that GRC Solutions is an excellent candidate for this project as our professionals carry extensive experience in the evaluation of BSA/AML applications and Core Banking systems.

Upon review of our proposal, feel welcome to call and discuss the engagement. We can be reached at 855-860-4777. Thank you for considering GRC Solutions for this important effort.

Regards,

Ted Kawoczka  
Managing Director  
tkawoczka@grcrisksolutions.com



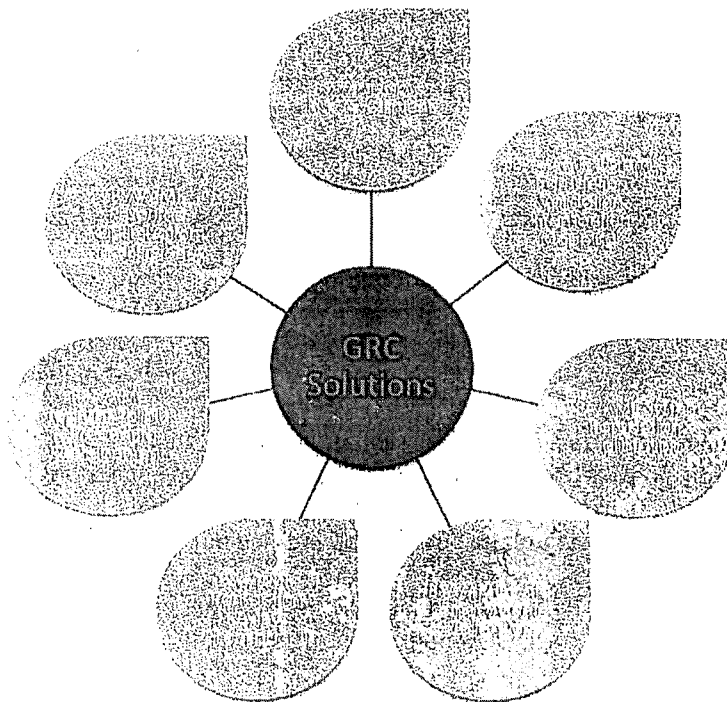
## About GRC Solutions, LLC

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Since 1997, GRC Solutions (formerly McIsaac & Associates) has been a trusted resource to financial institutions by providing consultative services to assess the efficiency of technology used by banks to monitor Customer Identification Program, Bank Secrecy Act, Anti-Money Laundering, Office of Foreign Assets Control program, and other risk-based regulations.

In recent years financial institutions have been steadily licensing and installing advanced technologies to help mitigate risk, fight crime, and meet regulatory requirements. When properly deployed, the detection, monitoring, and alerting application plays an important role in the ongoing fight against money laundering which supports criminal activities – including drug trafficking and terrorist financing.

GRC Solutions employs Certified Anti-Money Laundering Specialists (CAMS), Operations, and other subject matter experts across a broad spectrum of BSA/AML/OFAC activities, as represented in the graphic below.



We've developed a solid reputation for delivering operational insights and real value to our clients whose regulators include the FDIC, OCC, FRB, and various states. Most recently we have been fielding calls from credit unions in response to NCUA direction. Our solutions continue to evolve to meet the individualized needs of our clients and span the complete set of BSA/AML/OFAC technology models.



## Statement of Need

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Apple Bank for Savings seeks Independent Validation of key BSA/AML/OFAC components in operation at the Bank

**I. Conceptual Design**

- Analysis of industry risk factors to assess coverage of transactional and customer risk.
- Assessment of Bank-identified risk factors to include products & services, customers & entities, geographic locations to commensurate with the Bank's business model and transactional activities.
- Comparison of automated coverage of BSA/AML risk factors alongside manual coverage controls.
- Identification of scenario coverage gaps.

**II. System Validation**

- Evaluation of the functional methodology of the model.
- Assessment of system limitations to detect coverage gaps.
- Evaluation of FIS MISER (CORE) data points to AML (BAM+) to ensure investigation triggers are appropriately generated.

**III. Data Validation**

- Analyze transaction codes to ensure accurate identification, proper categorization and mapping between the FIS MISER (CORE) to the BSA/AML system (BAM+).
- Analyze transactions to ensure accurate identification, proper categorization and mapping between the FIS MISER (CORE) to the BSA/AML system (BAM+).
- Back-Testing
  - Utilize FIS MISER data (CORE) to replicate AML (BAM+) scenarios. Back-testing is entirely dependent upon information available in FIS MISER (CORE) to allow for scenario development and alert review.
- Detect and identify transaction codes not mapped within the BSA/AML system.

**IV. Process Validation**

- Evaluation of workflow and Case Management output
  - Case dispositioning
  - Alert review timeliness
  - Evaluation of actual regulatory filings vs. false positives.
- Change control management and access rights.
- Management reporting.

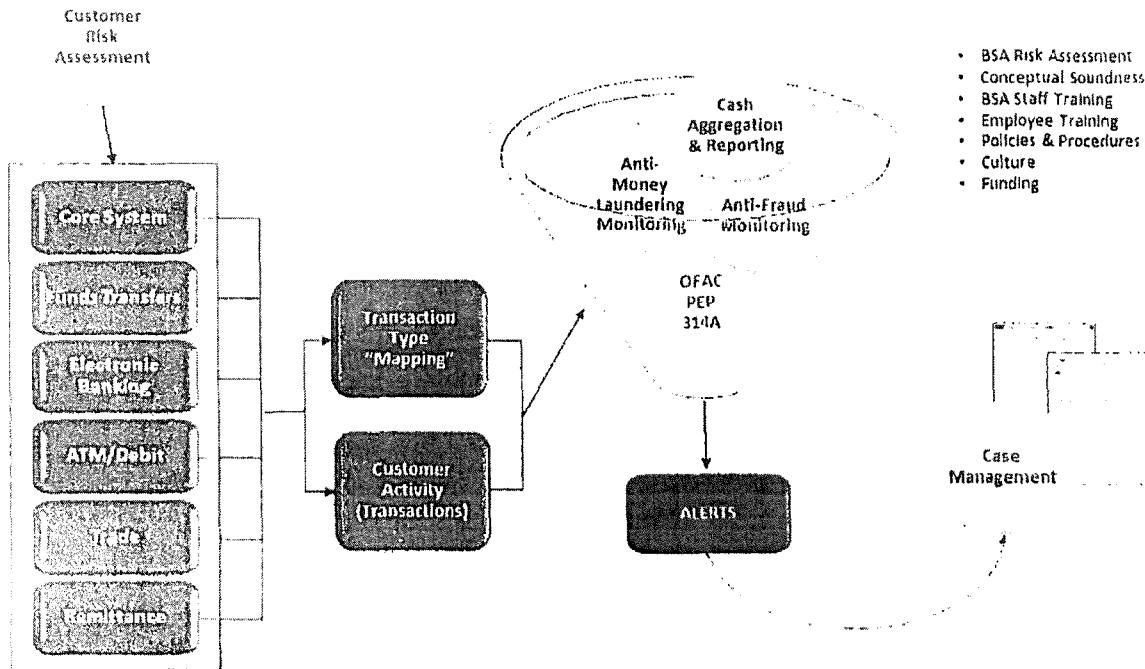
**V. Project Deliverable**

The deliverables would include:

- Project overview document to define key milestones and deliverables.
- Weekly project meetings to identify potential delays, data extraction issues, and other factors causing potential project delays.
- "Data and Model Validation Report" that inspects methodology, mechanics, data-flow, coverage, gaps, recommendations and describes transaction integrity and exceptions.



The graph below represents the BSA/AML/OFAC Components to be validated during this engagement (shown in yellow):





## Scope and Activity Guidelines

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The following general guidelines provide a high-level overview of our general process. This process will include discussions with key personnel, access to Bank systems, internal assessments, and other related endeavors.

### I. Conceptual Design

- Review the design of the BSA/AML system to ensure alignment with regulatory requirements through identification of industry-identified risk factors.
- Analyze BSA/AML system scenarios to determine coverage via Institution Risk Factors (i.e. BSA/AML/OFAC Risk Assessments).
- Ensure scenario coverage compliments the Bank's business model.
- Review other compensating controls to ensure coverage outside of the Bank's BSA/AML system.
- Identify coverage gaps and issue recommendations for coverage.

### II. BSA/AML System Validation

- Assess the adequacy of the BSA/AML System as compared to the Bank's business model.
- Evaluation of implemented scenarios to determine coverage of associated risks (Included or excluded) within the Bank's BSA/AML/OFAC Risk Assessment and other known risk factors.
- Review of the established alert definitions to ensure adequate coverage of all Bank-wide activity.
- Review the Bank's methodology to define scenario parameters and thresholds (at implementation and within the most recent 180 day period).

### III. BSA/AML Data Validation

- Review method and techniques to gather and extract data from each of the component systems (i.e. Core and BSA/AML systems) to validate system data integrity. For example: Number accounts, transaction types, transaction activity. Describe high level overview of information flow between systems used by the BSA/AML system.
- Extract necessary data and load information from the core system, wire and/or ACH transactions, BSA/AML system and supporting information to define data loading and data mapping. We will extract a sample of 180 days of transaction information from the Core and BSA/AML system.
- Extract core system configuration data and transaction code mapping between the Bank's core system and BSA/AML system.
- Verify all applicable core transaction codes are identified and properly mapped and coded from the Core system to the AML (BAM+).
- Verify all applicable core transactions are identified and properly mapped and coded from the Core system to the AML (BAM+).
- On a test basis, we verify all applicable transactions are properly interfaced to the BSA/AML system.
- Utilize FIS MISER data (CORE) to replicate a sample of higher-risk AML (BAM+) scenarios to determine whether an associated alert is triggered.
- Compare FIS MISER data (CORE) to actual alerts generated. Alerts will be selected for higher-risk suspicious activity triggers.





IV. Process Validation

- Ensure workflow allows "preparer and approver" function for cases opened.
- Review a sample of alerts to determine whether information has been reviewed within regulatory timelines, internal standards, and contain sufficient documentation to evidence the investigation details.
- Review AML (BAM+) user lists and review access rights and privileges to ensure user control considerations are appropriately defined.
- Review audit logs to evidence segregation of duties.
- Evaluation of the effectiveness of the Reporting mechanism.

### Additional Activity Assumptions

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The Firm has proprietary material which will be used to support the analytics and analysis. Reports from these tools may be used in support to the reporting produced. The availability of the Bank staff is essential to provide support for data gathering and to review draft versions of deliverables prepared by the Firm during the project process.

### Fees and Expenses

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Based on our experience in this type of initiative, as well as our current understanding of your structure, operations, and requirements, the fee for this engagement will not exceed \$63,000.

The duration and actual hours needed to complete this project may vary based on how long it takes to gather the information, conduct interviews, and turnaround on reviews provided by bank management in working toward the deliverable of this engagement.

The scope of this initiative is provided with the understanding that the actual work may vary from the proposal and that if the scope significantly changes then the Firm shall provide the Bank with a written Proposal Change Request (PCR) defining the scope change and shall not proceed on an agreed upon change in scope or additional hours until provided approval of such by the Bank.

The estimate for the stated objectives may vary for unforeseen issues or unknown facts not available at the time of this proposal. This project fee is proposed to achieve the objectives contained herein and the Firm shall provide a written report in support to the deliverables.

Upon your acceptance of this engagement, we will bill you 50% of the total estimated fees and bill the remaining portion upon completion. In addition to our basic fee, we will bill you for out-of-pocket expenses for actual costs relating to travel. We will also bill you for an additional allocated administrative overhead factor of 8% on total gross fees. Additionally, we would request that the Bank designate one individual to function as the liaison for coordinating our services to the Bank.

In recognition of the staffing commitment required on our behalf for this engagement, in the event of a request for a termination by the Bank prior to the completion of the entire engagement, the Firm will bill the Bank for any un-billed hours that have been incurred as of the termination date.





To maintain the level of independence, the Bank agrees not to engage in a discussion or make a potential offer of employment to an existing or former employee of GRC without the consent of the Firm. Such a solicitation can have a severe impact of the Firm's operations and compromise the integrity of the work. Accordingly, such an act will be deemed as a material breach of this agreement by the Bank and the Bank, at a minimum, would be responsible for compensating GRC Solutions up to 200% of the employee's annual salary. Such provision would be applicable to any individual that is currently or formerly (within the last twelve months from any particular day within the engagement cycle) employed by GRC Solutions.

### Protection of Client Customer Information

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Pursuant to the Interagency Privacy of Consumer Financial Information Regulations and the Interagency Guidelines Establishing Standards for Safeguarding Customer Information, all data and information relating to our client's customers provided to GRC Solutions, LLC ("GRC") including any nonpublic personal information ("client customer information"), is treated confidentially and safeguarded by GRC. GRC does not disclose or use any such client customer information except as necessary to carry out the services for which GRC has been engaged or as required by applicable law.

GRC safeguards any client customer information through appropriate measures designed to ensure the security and confidentiality of the information; protect against any anticipated threats or hazards to the security or integrity of the information; and protect against unauthorized access or use of the information that could result in substantial harm or inconvenience to a customer.

GRC employees are held to the highest standards of maintaining the confidentiality of all the information provided by our clients, including client customer information. GRC employees are instructed to not discuss information provided by our clients with any outside party, and to discuss such information with other GRC employees only on a bona fide, business-related, need-to-know basis. In addition, GRC employees are instructed to make every reasonable effort to ensure that all confidential client materials and records are kept under proper physical safeguards and are not seen by unauthorized persons. In addition, all GRC employees are subjected to a thorough background check prior to employment. Such a review, amongst other things, looks for potential credit and criminal issues that need to be addressed and evaluated as a condition for employment at GRC.

Any claim for consequential damages arising from errors or omissions and negligence on our part cannot exceed the total fees relating to the engagement as specified in this letter and is subject to the coverage and recovery under our liability insurance policy. We will act in good faith in processing any such claim. The Firm currently maintains a minimum of \$1,000,000 in errors and omissions aggregate liability coverage.

Any dispute that may arise regarding the meaning, performance, or enforcement of this engagement will be submitted to mediation upon the written request of any party to this engagement. All mediation initiated as a result of this engagement shall be administered by and follows the rules as set forth by the American Arbitration Association ("AAA") unless otherwise mutually agreed upon by the parties. The result of this mediation shall be binding upon both parties. Costs of any mediation proceeding shall be shared equally by both parties.



## Summary

We are committed to working closely with the Bank to provide the outstanding service and communication you need. We can be flexible in customizing our services to accommodate the exact needs of the Bank. All significant terms and conditions are specified in this proposal.

We are very enthusiastic about this engagement and are committed to rendering high quality and responsive service. If we can provide any more information or answer any questions we will be happy to do so. We look forward to serving your needs.

Very truly yours,

GRC Solutions, LLC

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Return to: GRC Solutions  
33 Wood Avenue South  
Suite 600  
Iselin, NJ 08830  
(855) 860-4777

This proposal sets forth the understanding of Apple Bank for Savings with respect to the performance of a BSA/AML Model Validation. The terms and conditions as stipulated herein are valid for a period of thirty days from the date of this proposal.

  
Authorized Signature

Financial Services BSA Officer  
Title


January 12, 2016  
Date

Connie L. Mayer, c/o Apple Bank  
Billing Contact (please print)

122 E 42<sup>nd</sup> Street, 9<sup>th</sup> Fl, NY, NY 10168  
Billing Email Address

For GRC:

T. KAWOZKA  
Managing Director

  
1-14-16